NFPA Economics Monthly
An Economics Bulletin of the Forest Products Industry
Volume I Number 1 March, 1985

1985 ECONOMY MOVING FORWARD WOOD INDUSTRY LEFT BEHIND

The short-term outlook for the U.S. economy has changed significantly for the better, thanks to a more generous Federal Reserve Board, continued downward trends in inflation, and a keen attention to deficit reduction. Real growth in the Gross National Product measured close to 6.9 percent in 1984, the best yearly gain in over thirty years. The overall economic outlook also received a boost when the government published its January index of leading economic indicators. The index climbed a healthy 1.7 points in one month.

Prime Rate Down

The prime rate is down to 10.5 percent. Those who argue the direct relation between deficits and interest rates are baffled as deficits rise, but interest rates drop. And with the Fed discount rate now at 8 percent, interest rates will likely decline even further. With long-term rates in tow, the effect on housing should be significant. If current trends continue, housing starts should again approach or exceed 1.7 million in 1985. January starts were at an annual rate of 1.83 million, the highest since June of last year.

Lumber Industry Woes

But what about the solid wood products industry? Even with good economic news almost constantly in the headlines during the past year, this industry did not share much of it. 1984 was a year of shake-out in an industry tremendously changed by the longest postwar recession. The industry has not shared in the economic recovery, as Figure 1 attests. Lumber prices have been at historic lows, despite two very good housing years, and the prospect for a third. The real price of lumber has declined in the past five years.

Overall, lumber production and shipments were impressive in 1984, measuring gains of 5-6 percent (revised). Structural panels set a production record at 22.3 billion square feet. But prices for lumber and other wood products remained at recession levels. The reason: abundant supply and imports. The competition within

(continued ...)

MONTHLY STATISTICAL HIGHLIGHTS

Lumber production in December was at a seasonally adjusted rate of 30,992 million board feet.

New orders for lumber were down 25.1 percent to 2,231 million board feet.

The value of U.S. exports of wood products was $218.6 million in December; $2.7 billion in all of 1984.

Imports of softwood lumber from Canada reached 13.2 billion board feet during 1984, 10.7 percent higher than in 1983.

Copyright 1985. National Forest Products Association. All rights reserved. Information and data collected and compiled by NFPA may not be reproduced, offered through any retrieval system or data bank, or otherwise circulated for resale without the prior written permission of NFPA.

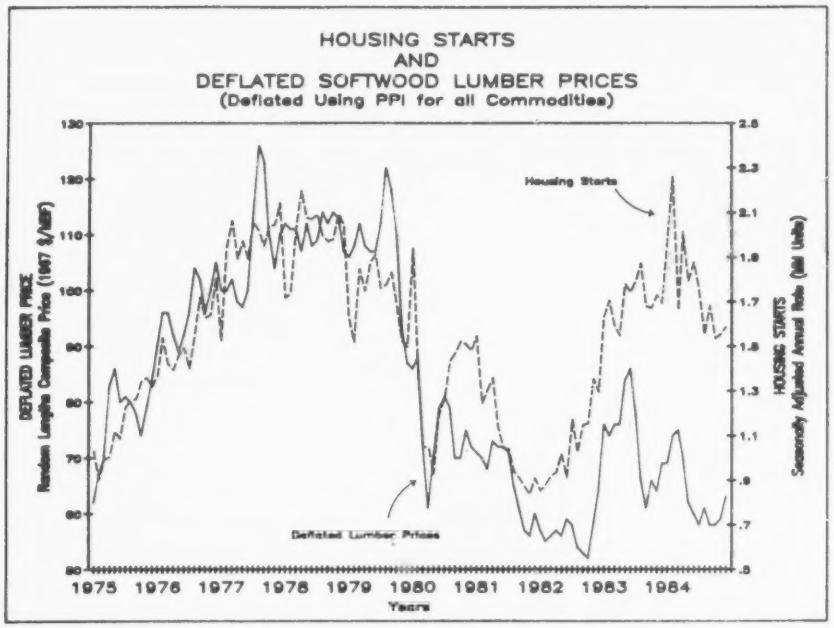


Figure 1:
Lumber prices have not kept pace with housing demand.

the wood products industry, the result of many producers and increased efficiencies, is great for consumers, but applies downward pressure on earnings.

Reprieve in the Northwest; Wood Products Still Squeezed

In the Northwest, high-priced timber made it extremely difficult for mills to compete. Between 1978 and 1981, contracts for timber sold from public lands were bid up by speculation and expectations of inflation. Higher prices never came to fruition. Although legislation was finally passed in 1984 to alleviate some of the economic burdens, many producers are still squeezed.

Higher Capacities Resulted From Mill Improvements

Large investments in mill improvements were planned in the late 70's with the expectation that the 1980's would see average housing demand at 2 million starts per year and all-time high demand for wood products. Inflation was expected to continue to apply tremendous upward pressure on prices. Because of investments in new mills and mill refurbishments, more lumber can now be produced at less cost. Much of the new capacity came on line as soon as the recession ended. It is not unusual for a mill to have increased its capacity by 25 percent to 40 percent because of improvements made during the past five years. The recession also stimulated cost reductions. The problem is that producers are losing more in profits than they have gained in efficiency improvements.

Canadian mills have also been producing more lumber for the U.S. market, with help from a strong U.S. dollar and similar productivity gains. U.S. imports of Canadian softwood lumber amounted to 13.2 billion board feet in 1984, up 10.7 percent from 1983. The Canadian share of the U.S. market was estimated to be 30.5 percent (revised). Total value of U.S. exports of wood products was $2.7 billion during 1984, down 4.8 percent from 1983. On the other hand, the total value of U.S. imports of wood products in 1984 was $4.7 billion, up 10.0 percent.

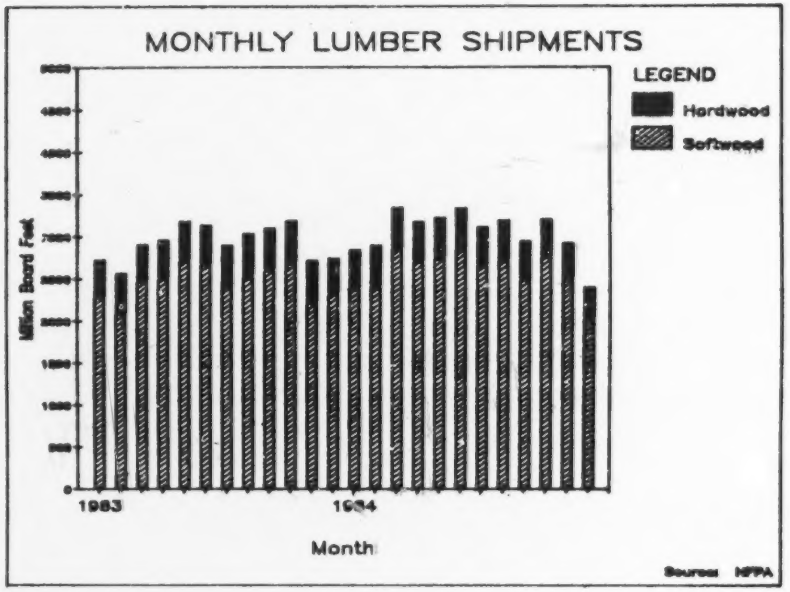
Monthly Economics Bulletin

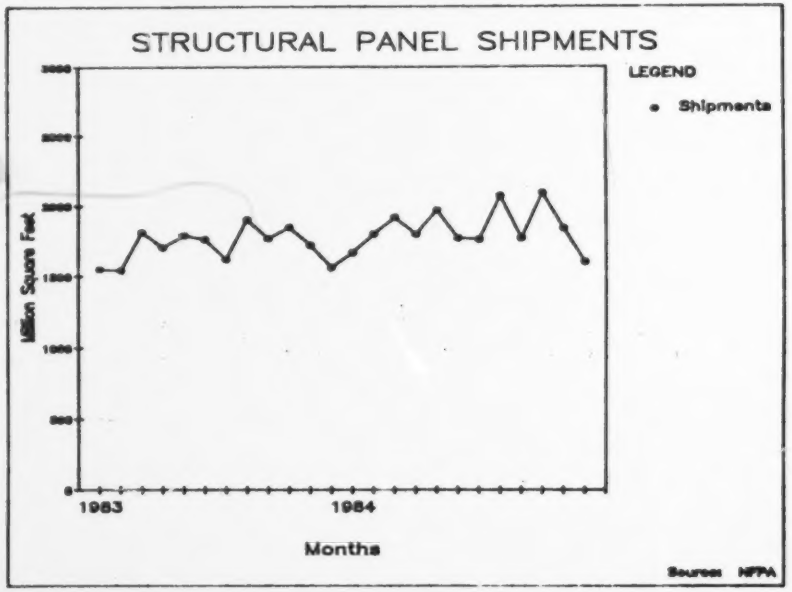
March, 1985

MONTHLY STATISTICS FOR THE WOOD PRODUCTS INDUSTRY

ESTIMATED INDUSTRY TOTALS BY PRODUCING REGION

	DECEMBER 1984			DECEMBER 31, 1984	
	Production	Shipments	Orders Received	Unfilled Orders	Gross Stocks
SOFTWOOD LUMBER		(Million Board Feet)			
Southern Pine Region	679	664	543	583	1,799
Douglas Fir Region	459	503	477	561	842
Western Pine Region	571	632	617	407	1,205
California Redwood Region	106	137	131	108	332
Other Softwoods	92	98	89	230	285
TOTAL SOFTWOODS	1,907	2,034	1,857	1,889	4,463
% Change - November 1984	-19.7%	-18.7%	-27.3%	-8.6%	-2.8%
% Change - December 1983	-13.9%	-12.4%	-25.9%	-16.7%	-3.1%
HARDWOOD LUMBER					
Southern Hardwood Region	182	170	175	222	802
Appalachian Hardwood Reg.	20	19	20	*	*
Other Hardwoods	186	174	179	158	960
TOTAL HARDWOODS	388	363	374	380	1,762
% Change - November 1984	-11.4%	-13.6%	-11.8%	3.0%	1.4%
% Change - December 1983	-10.4%	-12.7%	-14.8%	-12.2%	14.3%
TOTAL LUMBER	2,295	2,397	2,231	2,269	6,225
% Change - November 1984	-18.4%	-18.0%	-25.1%	-6.8%	-1.6%
% Change - December 1983	-13.4%	-12.5%	-24.3%	-16.0%	1.3%
* Included in Other Hardwoods					
FLOORING		(Thousand Feet)			
Oak Flooring (Bd. Ft.)	NA	7,653	NA	7,322	5,692
Maple Flooring (Sq. Ft.)	856	671	750	2,472	2,204
STRUCTURAL PANELS	1,644,226	1,599,823	1,675,401	430,240	363,929
% Change - November 1984	-12.3%	-13.1%	-6.4%	21.3%	5.6%
% Change - December 1983	-1.3%	2.3%	17.5%	69.0%	4.6%

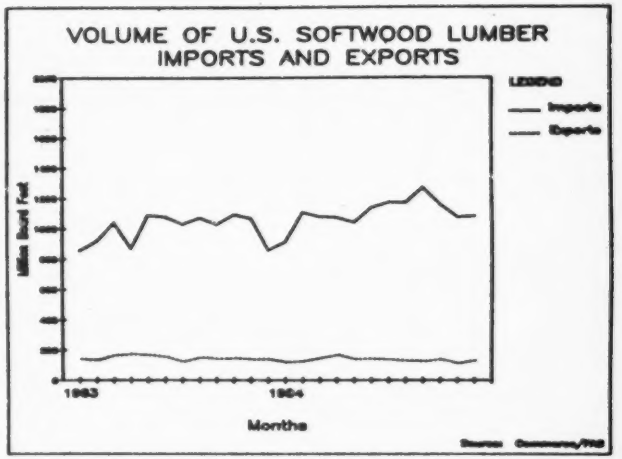


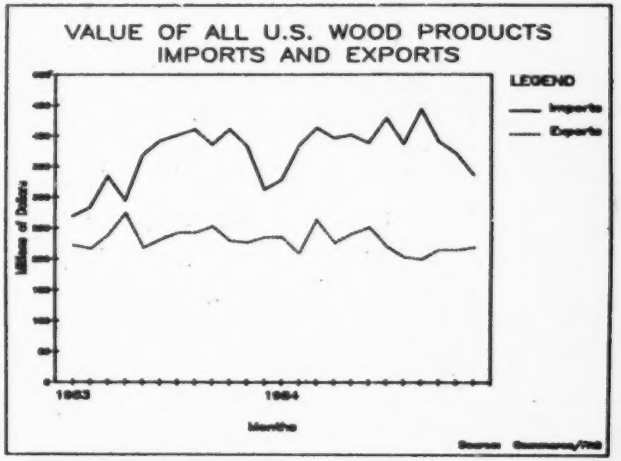


INTERNATIONAL TRADE STATISTICS

		VOLUME				VALUE (000$)			
		Dec. '84	12 mos. 1984	% Change From Nov. '84	% Change From 12 mos. 1983	Dec. '84	12 mos. 1984	% Change From Nov. '84	% Change From 12 mos. 1983
EXPORTS									
SOFTWOOD LUMBER	MMBF	130.2	1,599.3	16.8%	-8.3%	43,378	533,824	19.8%	-11.7%
To Canada	MMBF	16.5	336.0	-24.4%	-21.9%	4,109	79,515	-23.3%	-24.5%
SOFTWOOD LOGS	MMBF	298.3	3,369.4	-8.4%	-0.6%	88,974	1,079,201	-8.1%	1.0%
SOFTWOOD PLYWOOD	MMSF 3/8"	43.4	370.6	141.7%	-35.4%	10,167	86,526	154.2%	-36.2%
HARDWOOD LOGS	MMBF	23.1	221.0	-8.3%	22.1%	8,153	106,422	-12.0%	3.9%
HARDWOOD VENEER	MMSFsurf	67.3	1,014.6	.0%	-0.9%	5,001	82,105	-14.1%	-11.8%
PARTICLEBOARD	MMSF 3/4"	8.3	108.4	11.3%	14.6%	1,734	26,197	9.0%	-19.7%
ALL OTHER		NA	NA	NA	NA	40,051	467,516	-0.1%	-2.0%
TOTAL U.S. EXPORTS		NA	NA	NA	NA	218,645	2,688,643	1.8%	-4.8%
IMPORTS									
SOFTWOOD LUMBER	MMBF	1,082.5	13,270.2	0.8%	10.8%	203,065	2,672,381	-1.6%	4.2%
From Canada	MMBF	1,073.6	13,221.3	0.1%	10.7%	201,336	2,659,033	-1.9%	4.0%
SOFTWOOD LOGS	MMBF	4.8	116.8	17.8%	-18.0%	795	14,624	79.1%	-39.3%
SOFTWOOD PLYWOOD	MMSF 3/8"	4.1	73.5	15.4%	57.7%	969	16,481	-2.3%	51.7%
HARDWOOD LUMBER	MMBF	24.9	327.7	-15.3%	25.8%	11,366	172,853	-27.2%	29.1%
HARDWOOD LOGS	MMBF	2.0	30.1	-56.7%	33.5%	534	4,740	-3.4%	42.3%
HARDWOOD VENEER	MMSFsurf	109.1	1,503.0	25.0%	-6.5%	7,659	123,127	4.7%	9.2%
HARDWOOD PLYWOOD	MMSF 3/8"	144.2	2,982.4	-43.2%	-10.9%	20,684	421,964	-41.5%	-4.2%
PARTICLEBOARD	MMSF 3/4"	109,320.3	1,399,373.5	-10.8%	56.3%	10,361	131,777	-11.9%	57.4%
ALL OTHER		NA	NA	NA	NA	80,180	1,102,514	-12.8%	27.3%
TOTAL U.S. IMPORTS		NA	NA	NA	NA	335,853	4,665,421	-9.5%	10.0%

Note: Volume total is not possible because the products are in different units of measure.





CONSTRUCTION AND HOUSING STATISTICS

	CURRENT			YEAR-TO-DATE	
	Latest Month Available	% Change From		Latest Period Available	% Change From
	Dec. '84	Nov. '84	Dec. '83	12 mos. '84	12 mos. '83
	(Billions of Dollars)				
VALUE OF ALL NEW CONSTRUCTION PUT-IN-PLACE	25.3	-9.0%	19.8%	311.9	19.0%
Private	21.4	-6.1%	22.4%	256.2	21.2%
Residential	10.1	-13.7%	18.4%	135.2	21.0%
Nonresidential & Other	11.3	1.8%	26.1%	121.0	21.4%
Public	3.9	-22.0%	7.2%	55.7	9.7%
	Dec. '84	Nov. '84	Dec. '83	12 mos. '84	12 mos. '83
	(Thousands of Units)				
NEW HOUSING UNITS STARTED					
Total Private & Public	99.0	-20.0%	6.6%	109.3	17.7%
New Private Starts	98.9	-19.9%	8.3%	109.1	19.5%
Seas. Adj. Annual Rate	1630	4.9%	-0.1%		
One-Family Housing Starts	62.8	-19.8%	11.5%	67.7	20.2%
Proportion of Total	63.4%			61.9%	
	(Number of Units)				
SHIPMENTS OF MOBILE HOMES	16,600	-23.9%	-11.2%	295,000	0.0%

EMPLOYMENT STATISTICS

	Dec. '84	% Change From Nov. '84	% Change From Dec. '83
	(Thousands of Employees)		
TOTAL EMPLOYMENT (Seasonally Adj.)			
All Industries	95,798	0.3%	7.8%
All Manufacturing Industries	19,796	0.4%	8.5%
Lumber and Wood Products	717	0.6%	14.7%
Furniture and Fixtures	493	0.2%	14.7%